

City of Greenville

Capital Investment Grant Program Guidelines

I. Introduction

The purpose of the Capital Investment Grant program is to support attraction and retention of quality job growth and tax base development through new investment in business. Economic development projects that infuse new private investment into the Greenville economy may be eligible for cash grant funds. The grant program is supported by increases of property tax revenue to the City of Greenville generated as a result of incentivized projects, which otherwise might not have been completed. All grant awards are approved by the City Council of the City of Greenville. The grant awards are dispersed in annual installments only after property taxes have been paid.

Qualifying Projects/Areas: Qualifying projects under the Capital Investment Grant program fall into two general categories:

1. **Economic Driver Projects** are projects with new investments (relocations or expansions of business operations) in "targeted" industry sectors or other driving or basic industries (e.g., biomed facility), which are expected to have a significant positive communitywide and/or regional economic development impact, or major investments in non-targeted sectors (e.g., distribution or call center) or commercial projects that exceed a \$15 million investment threshold. Because Economic Driver projects are expected to generate new quality job growth for Greenville's citizens and/or increase the size and diversity of the City's tax base, they qualify to apply for grant funds provided that they are located *within the Greenville corporate limits*.

Economic Driver Projects
are eligible anywhere
within the Greenville
Corporate Limits



2. **Special Projects in EDI (Economic Development Investment) Zones** are projects not meeting the general qualifying standards (above) may qualify for a Capital Investment Grant provided that they are located in the Greenville Corporate Limits if they are located within designated EDI Zones and either (a). involve "catalytic" mixed-use (re)development and/or promote City Council goals (e.g., providing neighborhood-serving commercial in underserved areas), or (b). have the potential to transform districts, including community empowerment areas (e.g., West Greenville), further the City's Uni-Med Marketplace strategic vision (e.g., Center City, Medical District), or strengthen Greenville's status as a commercial hub and destination place for consumers and tourists in eastern North Carolina.

Special Projects must be
located in an EDI Zone (dark
areas on map) of the Greenville
Corporate Limits



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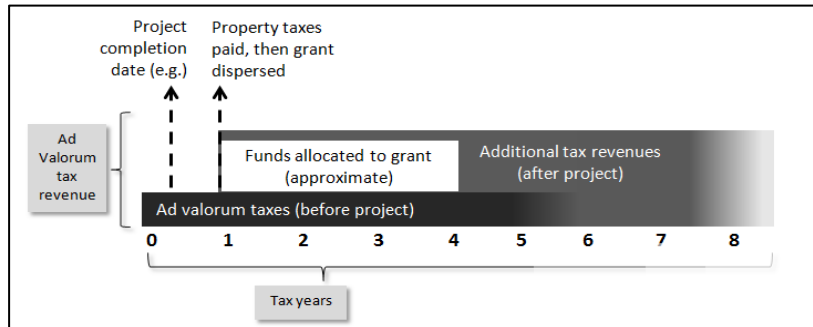
II. Policy Rationale and Fiscal Approach

The Capital Investment Grant program aims to attract projects that generate net positive economic value to the community, which were not expected to be feasible and/or be pursued to completion in the absence of the incentives – i.e., the economic and fiscal benefits are expected to exceed the costs of public investment. The grant program is effectively self-supported by the net increases in ad valorem tax revenue generated by new incentivized projects. After all annual installments have been allocated, it is expected that the City will enjoy the full value from the incentive private capital investment – increased and/or diversified tax base, employment, “spin off” economic activities, etc.

Annual installments are based on the annual increased tax revenue generated to the City of Greenville.

The annual installment is equal to no more than 75-percent of the increased ad valorem property tax revenue to the City of Greenville, while the remaining increased property tax revenue effectively

contributes to the City’s general revenue collections. It is expected that a project aided by a Capital Investment Grant otherwise would not have been completed without the incentive (“but for”); and that by helping to “close the deal” on an economically beneficial project, the incentive program at least partly enabled the jurisdiction to outperform the fiscal results that would have ensued in the absence of the incentive.



To maintain fiscal neutrality, the size of the annual installment is to be calculated in absolute terms – a larger capital investment will generate a higher “baseline” from which to dispense funds: the tax increment generated by a \$10 million private capital investment will be ten times larger than the tax increment generated by a \$1 million investment; therefore the potential annual installment for the \$10 million investment would generally be ten times larger than the annual installment for a \$1 million project.

The total size of the grant award, however, takes into consideration the extent to which a project furthers the City’s strategic planning goals. Although the size of annual installments is largely dependent on the increased annual tax revenue generated to the City of Greenville, the City Council can adjust the total amount of grant funds offered over the life of a Capital Investment Grant incentive package by increasing or decreasing the total number of annual installments awarded to the project. Cash grants typically represent up to 75-percent of 4-6 years (depending on prioritization) of expected increased property tax revenue; however, in special cases, the grant offer might be based on 7 - 12 years of additional revenue (e.g., to support a small, undercapitalized project of strategic importance; or to support a very large-scale economic driver project).

Annual payments will be made in March of each year based on the actual increased real ad valorem property tax revenue generated to the City of Greenville by the project from the previous tax year. The annual payments will be up to and not exceed the increased ad valorem property tax revenue generated to the City of Greenville by the project using the formula determined by staff and approved by the Greenville City Council. Disbursements will only be made if property taxes for the project are paid in full.

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III. Qualifying for a Grant Award

Staff initially consults with grant applicants to determine whether a prospective project qualifies for funding under the Capital Investment Grant program. If staff determines that a project does *not* qualify within one of two categories, staff will not recommend to City Council that the project be considered for funding under the program.

Economic Driver Projects: If a capital business investment (relocation or expansion) meets general qualifying standards as an Economic Driver Project, that project may be eligible for funding *anywhere within the Greenville corporate limits*. These projects are expected to generate significant positive communitywide and/or regional economic development impacts that will broadly benefit all citizens of Greenville. Economic Driver Projects will either create a high number of net new quality jobs (e.g., >50 new jobs) for citizens in the local/regional economy, or attract/retain talent in specialized, high-value fields that make Greenville more competitive economically. Economic Driver Projects not only generate direct economic benefits at the incentivized facility; they also tend to generate indirect economic activities from other local firms providing goods and services to the Economic Driver Project.

The City of Greenville may seek to capitalize on its existing strategic advantages in target sectors. Smaller-scale capital investments in these sectors may also qualify for grant funding, provided that they are expected to have disproportionately positive impacts. Even modest growth in target sectors might have the potential to enhance Greenville's economic competitiveness, spur innovation and entrepreneurial activities, and raise the community's economic profile.

Special Projects in EDI Zones: Projects not meeting the general qualifying standards as an Economic Driver Project, may qualify for a Capital Investment Grant provided that they are located in the Greenville Corporate Limits if they are located within designated EDI Zones and either (a). involve "catalytic" mixed-use (re)development and/or promote City Council goals (e.g., providing neighborhood-serving commercial in underserved areas), or (b). have the potential to transform districts, including community empowerment areas (e.g., West Greenville), further the City's Uni-Med Marketplace strategic vision (e.g., Center City, Medical District), or strengthen Greenville's status as a commercial hub and destination place for consumers and tourists in eastern North Carolina.

The City of Greenville has adopted six EDI Zones: Airport Area, Center City, Dickinson Avenue, East Tenth Street, Medical District, and West Greenville (See Appendix C: Map of EDI Zones).

Examples of catalytic projects within an EDI Zone:

- Hotel
- Retail/commercial anchor
- Mixed-use residential project in the Center City
- Major arts/entertainment venue

In reviewing grant requests for Special Projects in EDI Zones, staff and the City Council will consider, among other factors, to what extent the project promotes the goals and strategies addressed in relevant area and corridor plans or studies, including *Center City – West Greenville Revitalization Plan*, the *Medical District Plan*, the *Streetscape Master Plan*, and *Horizons* comprehensive plan. Additionally, the Council will consider to what extent a project supports economic development that will positively impact broad, diverse segments of the public.

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A few examples of goals and strategies addressed in City Council's Strategic Goals, the *Horizons* comprehensive plan, or other plans, which might be especially relevant to Capital Investment Grant projects in EDI Zones:

- Increase neighborhood-serving retail in underserved areas.
- Bring more retail and professional activities downtown (Center City, Dickinson Avenue).
- Expand and define the boundaries of downtown to connect to the residential neighborhoods both east and west of the center city (Center City, Dickinson Avenue, West Greenville, Medical District).
- Promote joint opportunities for quality development which enhance the growth, image, and identity of downtown Greenville and East Carolina University (Center City, Dickinson Avenue, East Tenth Street).
- Increase the scope of uses and activities in the downtown to create night and weekend activity (Center City, Dickinson Avenue, West Greenville).
- Increase the density and the scope of land use in the downtown core to create night and weekend activity (Center City, Dickinson Avenue, West Greenville).
- Encouragement of infill retail and entertainment uses along Evans Street and the key parcels on the Tenth Street corridor to provide critical mass.
- Development of an arts and science/cultural/entertainment district in the area bounded by Dickinson Avenue, Reade Circle, Evans Street, and Tenth Street (Center City, Dickinson Avenue, West Greenville).

The above is a partial list of goals and strategies that might apply to Special Projects in EDI Zones. Projects that promote multiple strategic goals are more likely to qualify and/or be prioritized for funding.

Applicants are urged to contact staff to ascertain whether a proposed project qualifies within one of the above two categories – Economic Driver Projects or Special Projects in EDI Zones.

IV. Scoring System

Qualifying projects may be eligible for a range of funding levels under the Capital Investment Grant depending on how well the project promotes the City of Greenville's strategic goals. To prioritize the most economically impactful investments, a points system (Appendix A) will be utilized for determining appropriate levels of funding for different types and scales of projects, which apply both to qualifying Economic Driver Projects and Special Projects in EDI Zones. The points system recognizes projects to the extent that they are expected to have significantly positive economic and fiscal impacts on Greenville (e.g., creation of new high quality jobs); that they further the City's land development and strategic economic goals; that they increase the numbers of for lease and homeownership residential units in the Center City; that they increase the supply of premium spec office space; and that they demonstrate the financial viability of public and private investment in the project.

Projects that score especially high on the prioritization scale (over 40 points) can be offered a larger number of annual installments (e.g., 7 years) and/or higher funding levels, while lower priority projects (over 30 points) will be limited to 3 or 4 years of installments. In addition, the City Council may adjust the size of annual installments (up to 75-percent of the increased property tax generated to the City by the project) to account for new job creation or other values; other factors being equal, a grant amount that corresponds to the increase in property tax revenue over 7 years would be considerably larger than one that corresponds to only 4 years of the increase.

Staff will use the scoring system to evaluate projects and then recommend to City Council an appropriate grant package. The final grant offer is at the sole discretion of City Council, which can use staff guidelines, scoring, and recommendations as frameworks for adjusting grant amounts as needed.

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Qualifying projects *may* be eligible for grant funds but are *not entitled* to receive funds (City Council discretion). The amount of grant funds offered, if any, is at the sole discretion of City Council.

An applicant may request any or all of the above incentives, subject to available funding, qualification, and execution of formal agreements as necessary. Approval of an application under the Capital Investment Grant program does not grant a project vested rights for development or grant any third-party benefit. The City Council reserves the right to set priorities among applications under consideration if necessary. The City Council also reserves the right to revoke or amend the incentives which may be offered at any time and for any or no reason. The City Council may reject an application if the applicant does not provide additional information requested, or if circumstances change during consideration. The City Council may offer other incentives for projects that the City Council initiates.

V. Eligibility

In order for a qualifying project to be eligible for incentives, the applicant must submit a request and that request must be approved by the Greenville City Council prior to commencing construction

The applicant will be required to agree that in the event some or all of the Project/Project Site is transferred by the applicant to a form or type of ownership that is exempt, in whole or in part, from City or County property taxes, the City of Greenville's obligations to provide incentives may be reduced or subject to repayment, and any further grant payments shall cease. There will be default language in the development agreement that protects the City of Greenville from changes within the project after approval and that incentives can be withdrawn, or be required to be repaid, if default occurs.

The applicant must demonstrate that the project would not be feasible but for the incentives amount requested. Staff may utilize an independent party to verify the "but for" gap.

The potential increased property tax revenue generated to the City by a project will be calculated based on the project uses. Staff will work closely with the Pitt County Property Appraiser's office to generate the best possible estimate. In the event that the amount of the increased City or County ad valorem property taxes related to the Project or Project Site is less than the estimated amount for any reason, the amount of the incentive will be reduced accordingly. Each year the actual increased property tax revenue generated by the project will be determined and used as a basis for calculating the payment to the applicant

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VI. Application Process

1. Applicant (property owner or agent with property owner's written consent) will submit an application to the Office of Economic Development including:
 - a. Description of the proposed project including location, preliminary design, square footage of commercial, and/or number of residential units;
 - b. Current taxable value for the property;
 - c. Estimated taxable value after construction of the entire project;
 - d. Construction pro forma demonstrating that the project would not be undertaken but for the public funds necessary to make the project financially feasible;
 - e. Summary of the incentive funds that are requested for the project (number of annual installments and percent of increment requested: up to 75-percent);
 - f. Information about any governmental approvals required, including land use and zoning changes, etc.; and
 - g. Other information as requested by staff considering the particular project.
2. Staff may consult with a real estate development professional or other consultant in reviewing the application and shall prepare a Cost/ Benefit Analysis for any project.
3. Based on a favorable review, staff will make a recommendation to the City Council based on evaluation of the information provided in the application and supporting materials.
4. Based on an evaluation of the information provided in the application, and considering the recommendation by staff, the City Council may accept or reject the application, or may approve the application with changes or conditions.
5. Following approval the staff shall prepare or cause to be prepared a development agreement with the property owner/applicant, which must be entered into before any disbursement of funds by the City of Greenville.

Economic development incentive programs must balance the need for speed (market responsiveness) with need to satisfy all legal requirements and to ensure the public has an opportunity to comment upon proposed incentives. The City of Greenville is required to hold public hearings to approve the incentives available as a result of the Capital Investment Grant program.

VII. Terms and Conditions

A written development agreement will be required. The development agreement will include any agreed upon performance requirements such as a schedule of additional payroll or jobs to be created or retained and capital investment to be made by the business enterprise. It will also include the terms for repayment of the incentive if the business fails to meet the performance requirements specified in the agreement.

Disqualifications: Factors which will preclude applicants from participating in the program include non-payment of taxes or other City fees, non-compliance with local regulations, and conflicts-of-interest.

Confidentiality: Project details, including local incentives negotiations and offers, may remain confidential until the public hearing, subject to the North Carolina Public Records Law.